UNITED NATIONS

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Economic and Social Council

Distr.
LIMITED

E/ICEF/1993/AB/L.2
15 April 1993

ORIGINAL: ENGLISH

UNITED NATIONS CHILDREN'S FUND
Committee on Administration and Finance
1993 session

FOR ACTION

UNITED NATIONS CHILDREN'S FUND

ADMINISTRATIVE AND PROGRAMME SUPPORT BUDGET: REVISED BUDGET FOR THE BIENNIUM 1992-1993 AND BUDGET FOR THE BIENNIUM 1994-1995, GLOBAL FUNDS PROGRAMME RECOMMENDATION AND RECOMMENDATION ON HEADQUARTERS OFFICE ACCOMMODATION

Report of the Advisory Committee on Administrative and Budgetary Questions

1. The Advisory Committee on Administrative and Budgetary Questions (ACABQ) has considered the following documents:

(a) Medium-term plan for the period 1993-1996: financial plan and related recommendation (E/ICEF/1993/3);

(b) Summary of 1993 recommendations for general resources and supplementary funding programmes (E/ICEF/1993/P/L.2 and Add.1);

(c) Administrative and programme support budget: revised budget for the biennium 1992-1993 and budget for the biennium 1994-1995 (E/ICEF/1993/AB/L.1 and Corr.1 and Corr.2);

(d) Recommendation to the Executive Board, global funds programme recommendation: revised 1992-1993 and proposed 1994-1995 programme budgets (E/ICEF/1993/P/L.3);

(e) Report on headquarters office accommodation (E/ICEF/1993/AB/L.9).

During its consideration, the Committee received additional information from representatives of UNICEF.

I. PRESENTATION AND FORMAT

2. The Committee commends UNICEF for the improvements in the budget format, especially the new document on the global funds programme budget (E/ICEF/1993/P/L.3), as a first step towards greater coherence and transparency in the presentation of the budgets of the Fund. The Committee, however, notes that there is room for improvement, bearing in mind the request of the Executive Board, in decision 1991/30 (E/ICEF/1991/15), to carry out an in-depth study and analysis of the structure and format of UNICEF budget documents "with a view to simplifying and improving their representation, setting them on a consolidated basis and making full use, as appropriate, of the expertise of other United Nations agencies" (see para. 46 below).

3. The Committee points out that both the administrative and programme support budget and the global funds programme budget need to be presented in an integrated manner. In this connection, the Committee reiterates its view (E/ICEF/1992/AB/L.18, para. 13) that the linkage between the administrative and programme support budget and global funds budget in the two documents is mainly presentational and steps should be taken to establish an operational linkage. For the future, the feasibility of consolidating the administrative and programme support budget and the global funds programme budget in one single budget document should be explored with a view to presenting it in a more coherent manner, thereby enhancing the clarity of the documents.

4. The Committee notes that the global funds budget document contains extensive descriptions of programme objectives, but does not generally indicate the specific actions that are required to accelerate, innovate or accomplish programme implementation. The Committee is of the view that the programme descriptions should be precise and identify clearly the specific measures for programme implementation; and emphasis should be given to major programme changes and how they relate to programme priorities and the long-term objectives of UNICEF. The Committee reiterates its view (E/ICEF/1992/AB/L.18, para. 5) that the budget document should be more analytical and focus on the essential activities and major programme developments (see para. 48 below).

II. MEDIUM-TERM PLAN FOR 1993-1996 (E/ICEF/1993/3) AND SUMMARY OF 1993 RECOMMENDATIONS FOR GENERAL RESOURCES AND SUPPLEMENTARY FUNDING PROGRAMMES (E/ICEF/1993/P/L.2 and Add.1)

5. The Committee welcomes the improvements on income projections in table 1 of the medium-term plan for 1993-1996 and the additional information on total income and expenditure and cash balances for the previous five years (E/ICEF/1993/3, figures I to VI), as recommended by the Advisory Committee. The Committee notes that the projections can be further improved by showing the previous planned income (for example, that of 1991-1993) compared to the actual income for that period.

6. In the light of the current financial situation, the Committee cautions UNICEF against too much optimism in projections of growth in resources and staff and believes that the "moderate" projections in table 1 are more realistic than the higher fund-raising targets. In this connection, the Committee points out that the initial projected total income for 1992 was reduced from $576 million

to $525 million; for 1993, the projected total income has been reduced from $615 million to $544 million (E/ICEF/1991/AB/L.1, annex IV; E/ICEF/1993/AB/L.1, annex V).

7. The Committee points out that income projections need to be substantiated by providing additional information such as pledges received at the most recent pledging conference. Future budget documents should contain more up-to-date information to justify the extent to which projected income is assured and attainable (E/ICEF/1991/AB/L.10, para. 19). Bearing in mind that the initial income projections for the current biennium had to be reduced substantially, the Committee reiterates the necessity of including in the estimates only such income as is clearly "assured and attainable", and this has been defined as funds received or pledges confirmed in writing at the time of the budget submissions.

8. According to table 1 of the medium-term plan, the average growth of 11 per cent under general resources for the last five years is projected to decrease substantially to less than 3 per cent for the period 1991 to 1996, and the average total growth from 11 to 5 per cent. Under the circumstances, the Committee doubts whether the proposed growth of the administrative and programme support budget by 19 per cent for the 1994-1995 biennium (see table 2 below) can be sustained.

9. According to the 1993-1996 medium-term plan (E/ICEF/1993/AB/L.1, annex V), the annual net administrative budget is estimated to increase by $43 million, or 24 per cent, for the period 1992-1997 compared to the increase of $49 million, or 12 per cent, in total general resources programme expenditure. The Committee expresses concern about the large increase in the administrative budget compared to the growth in programme expenditures. In light of the foregoing, the Committee reiterates its view that the proportion of the administrative budget in relation to total expenditures is high and that every effort should be made to achieve a more cost-effective programme delivery (E/ICEF/1991/AB/L.10, para. 22).

10. The Committee notes that the report of the Board of Auditors (A/47/5/Add.2) shows in the 1990-1991 statement of income and expenditures a total of $310.2 million for administrative costs ($167.1 million for programme support and $143.1 million for administrative services), representing 20.9 per cent of UNICEF total expenditures of $1,485.7 million, which is higher than the ratio indicated in the budget document (annex XXI, figure II). As stated by the Advisory Committee in its previous reports, unless this rate of growth is restrained, the UNICEF administrative and programme support budget will continue to absorb an increasing share of the resources of the Fund.

11. In view of the projected decline in income, the Committee cautions UNICEF against a depletion of the reserve down to the minimum liquidity requirement. The Committee notes that the programme recommendation of $330 million for the 1994 Executive Board (E/ICEF/1993/3, table 2) for additional programmes may have to be reviewed in the light of expected income.

12. The Committee was informed that separate documents are being issued on the financial plan (E/ICEF/1993/3) and on programme proposals (E/ICEF/1993/P/L.2 and Add.1) because the medium-term plan is submitted to the Committee on

Administration and Finance and the "Summary of 1993 recommendations for general resources and supplementary funding programmes" is submitted to the Programme Committee. The Committee recommends that a study be made of a possible merger of the two documents. A merger might enhance the presentation linkage of the programme and the finance plans and promote coordination of the review process.

13. The Committee welcomes the fact that the proposed administrative and programme support budget and the global funds programme budget are now reviewed by the Executive Board on a biennial basis, as recommended by the Advisory Committee. The Committee recommends that, if possible, steps be taken to harmonize the different cycles for the programme plan, the financial plan and the medium-term plan.

III. ADMINISTRATIVE AND PROGRAMME SUPPORT BUDGET (E/ICEF/1993/AB/L.1 and Corr.1 and Corr.2)

A. Revised budget for the biennium 1992-1993

14. According to document E/ICEF/1993/AB/L.1/Corr.1, after closure of the 1992 accounts, the revised budget for 1992-1993 is now estimated at $386,954,307, which is $7,877,285 less than the amount of $394,831,592 indicated in the budget document. In addition, the financial implications of the Executive Director's recommendation on headquarters office accommodation will be included in the budget resolution of the Executive Board at its 1993 session (para. 3). Table 1 below shows the proposed changes in the administrative and programme support budget for 1992-1993:

Table 1. Administrative and programme support costs for 1992-1993

(In United States dollars)

Costs	Approved 1992-1993	Revised 1992-1993	Variance Amount	Variance Percentage
1. Staff costs				
(a) International	121 631 854	121 019 578	(612 276)	(0.5)
(b) Local	110 497 917	106 762 362	(3 735 555)	(3.4)
Total staff costs	232 129 771	227 781 940	(4 347 831)	(1.9)
2. General operating costs				
(a) Headquarters	76 546 897	77 735 643	1 188 746	1.6
(b) Field	70 320 114	71 128 031	807 917	1.1
3. Packing and assembly costs	11 957 525	10 308 693	(1 648 832)	(13.8)
Total costs	390 954 307	386 954 307	(4 000 000)	1.0

15. However, the Committee was informed that the total savings in 1992 amount to $11.1 million, including $3.7 million in international staff costs due to a high vacancy rate, $2.8 million in local staff costs due to exchange-rate fluctuations, vacancies and lower implementation of projected salary revisions, and $4.6 million in general operating costs. The Committee was further informed that as a result, the administration has surrendered $7.8 million, including the $4 million reserve (see table 1 above), to general resources, and has retained $3.3 million to meet other increases in 1993. The Committee had difficulty in analysing these changes in the revised budget for 1992-1993. The financing of additional requirements through savings during the current biennium should have been explained more clearly in the document.

16. The Committee is of the view that UNICEF has applied the concept of mandatory increases in a very flexible manner. For example, the additional cost of $1.1 million for corporate licences in 1993, including the purchasing of global software licences for standard packages, maintenance and upgrades (para. 438) were initiated by management and not mandated by the Executive Board for implementation in 1993. Furthermore, the Committee is of the view that activities relating to additional staff and the acquisition of material for the Division of Information, including audio-visual material, publications and programme mobilization (paras. 374-377 and 385), computer migration (para. 439)

and telecommunications (para. 442), are, strictly speaking, not mandatory increases.

17. In this connection, the Committee recalls that the Executive Board reaffirmed, in its decision 1991/28, resolution 1, that:

> "... mandatory increases as defined by the Executive Board are those aspects which are beyond management control, i.e. mandatory salary increases, exchange rate fluctuations, unanticipated rent increases, additional staff entitlements approved by the United Nations common system and other unforeseen cost increases for existing UNICEF offices".

Accordingly, mandatory increases are only those measures which are beyond the control of the Executive Director, excluding any action or initiative which is at his discretion.

18. According to annex VI of the budget document, during 1993 the number of budget posts at headquarters will increase by three while the number of budget posts in field offices will decrease by 12. In this connection, the Committee recalls that in its previous report (E/ICEF/1991/AB/L.10, para. 11), it cautioned UNICEF against an increase of budget posts at headquarters at the expense of the field.

19. With regard to procurement services income (para. 27), the Committee recalls that the Executive Board recommended in decision 1991/28, resolution 3, that staff costs should not exceed the estimated income from reimbursable procurement, as recommended by the Advisory Committee (E/ICEF/1991/AB/L.10, para. 17). The Committee notes that interest income has not been budgeted in the revised 1992-1993 and the proposed 1994-1995 budgets and will instead be credited to general resources. Furthermore, the Advisory Committee notes that UNICEF proposes to convert a number of posts charged to procurement services income to the 6 per cent recovery (para. 27).

B. Proposed budget for the biennium 1994-1995

Table 2. UNICEF estimates by major categories of expenditure

(In millions of United States dollars)

Category	Revised 1992-1993	Proposed 1994-1995	Increase Amount	Increase Percentage
1. Staff costs				
(a) International staff costs				
Established posts	68.0	82.6	14.6	21
Other	53.0	62.2	9.2	17
Subtotal	121.0	144.8	23.8	20
(b) Local staff costs				
Established posts	60.8	67.2	6.4	11
Short-term Professional staff	5.1	5.1	0.0	0
Other	40.9	44.8	3.9	10
Subtotal	106.8	117.1	10.3	10
Total staff costs	227.8	261.9	34.1	15
2. General operating costs				
(a) Headquarters	77.7	92.2	14.5	19
(b) Field	71.1	79.6	8.5	12
Total operating costs	148.8	171.8	23.0	15
3. Packing/assembly costs	10.3	11.9	1.6	16
Total gross	386.9	445.6	58.7	15
4. Income related to budget	35.0	26.0		
Total net	351.9	419.6	67.7	19

20. According to draft resolution 3 (para. 66), the Executive Director requests the Executive Board to approve the proposed administrative and programme support budget for 1994-1995 in the amount of $445.6 million gross (draft resolution 4). The Committee notes that the proposal is based on the original revised budget for the biennium 1992-1993 of $394.8 million, including a supplementary budget of $3.9 million and a reserve of $4 million. The initial revised budget has now been reduced to $386.9 million (see para. 14 above). The Committee is of the

view that the proposed budget for 1994-1995 should be based on the revised 1992-1993 budget of $386.9 million and, therefore, recommends that the proposed 1994-1995 budget be reduced by $4 million, adjusted by inflation.

21. The Committee further notes that according to annex XXI, out of a total of 2,099 administrative and programme support posts in the revised 1992-1993 budget, 1,883 posts were encumbered as at 31 December 1992, representing a vacancy rate of 11 per cent compared to the UNICEF budgeted rate of 4 per cent. At the same time, out of a grand total of 6,001 posts at UNICEF 4,796 posts were encumbered, equivalent to a vacancy rate of 25 per cent; as a result, there is an overbudgeting of staff costs in the proposed 1994-1995 budget. In view of the foregoing, the Committee further recommends that the proposed total staff costs of $261.9 million in the proposed 1994-1995 budget (draft resolution 3) be reduced by 5 per cent, or $13.1 million, in addition to the proposed reduction of $4.0 million (see para. 20 above), resulting in a proposed administrative and programme support budget for 1994-1995 of $428.5 million gross, or 10.7 per cent over the revised 1992-1993 budget of $386.9 million.

Table 3. Core and project posts at headquarters and in the field

	1982-1983			1990-1991			1992-1993 REVISED			1994-1995 PROPOSED		
	HQ	FIELD	TOTAL	HQ	FIELD	TOTAL	HQ	FIELD	TOTAL	HQ	FIELD	TOTAL
CORE	603	1 335	1 938	526	1 534	2 060	562	1 528	2 090	535	1 576	2 111
PROJECT												
GENERAL RESOURCES												
GLOBAL FUNDS				88	47	135	142	60	202	124	81	205
OTHER				37		37		2 448	2 448		2 502	2 502
TOTAL GENERAL RESOURCES	N/A	N/A	N/A	125	47	172	142	2 508	2 650	124	2 583	2 707
SUPPLEMENTARY FUNDS												
PRORATED TO SUPPLEMENTARY FUNDS				87		87	107		107	152		152
OTHER				68		68	41	1 051	1 092	31	990	1 021
TOTAL SUPPLEMENTARY FUNDS	N/A	N/A	N/A	155	N/A	155	148	1 051	1 199	183	990	1 173
EXTRABUDGETARY				58		58	58	4	62	37	4	41
TOTAL PROJECT	12	1 176	1 188	338	2 847	3 185	348	3 563	3 911	344	3 577	3 921
TOTAL CORE AND PROJECT	615	2 511	3 126	864	4 381	5 245	910	5 091	6 001	879	5 153	6 032
PERCENTAGE	19.7	80.3	100	16.5	83.5	100	15.2	84.8	100	14.6	85.4	100
SHORT-TERM a/												

a/ The Advisory Committee points out that $13.4 million is provided for short-term local staff in the proposed 1994-1995 budget; the corresponding figure for 1992-1993 is $11.8 million.

/...

22. The Committee notes that all posts of the Fund, as indicated in table 3, which was provided by UNICEF, were reviewed on the basis of the criteria for core versus project posts in accordance with Executive Board decision 1992/36, resulting in reallocation of 643 core posts and project posts (table 1A) and a net decrease of only seven core posts (para. 40). The Committee expresses its surprise that as a net result of the conversion of 643 posts, the total number and proportion of core versus project posts has basically not changed. The Committee questions the way UNICEF has categorized all the posts, bearing in mind the primary consideration of this exercise that "the emphasis in the distinction of core versus project posts should be the functions of the posts and not the source of funding" (E/ICEF/1992/AB/L.18, para. 22).

23. Furthermore, the Committee reiterates its view that supplementary and global funds operations should be charged a fair share of the administrative and programme support costs incurred by UNICEF in managing the related operations. However, according to annex XV of the budget document, a total of 344 project posts are proposed at headquarters for the biennium 1994-1995, the majority of which are carrying out functions similar or identical to posts carrying out core functions. The Committee is of the opinion that the majority of the project posts listed in annex XV should be categorized as administrative and programme support posts.

24. Upon inquiry, the Committee was informed that the related total costs for 344 project posts at headquarters, including 152 posts for recovery, are estimated at a total of $59.7 million, without adjustments for vacancies, and are charged to programme expenditures. The Committee sees no justification for this division of costs and is of the view that these are actually administrative and programme support costs. The Committee recalls its observation that a large number of posts which are categorized as project posts at UNICEF headquarters are actually project support posts which should be financed from administrative or programme support budgets. In view of the foregoing, the Committee reiterates its position that the current categorization of posts understates the administrative costs and overstates the programme expenditure.

25. The Committee welcomes the consolidation of UNICEF supply operations at Copenhagen and the streamlining of the New York office through the redeployment of four international Professional and seven General Service posts from New York to Copenhagen with effect from 1994 (paras. 516 to 532); this measure should enhance transparency of the supply operations. The Committee recommends that UNICEF continue to monitor its supply operations and ascertain whether the limited procurement in North America warrants the retention in New York of a procurement office with seven core posts and one project post and related services.

26. The Committee notes that there is a projected increase of packing and assembly costs from $10.3 million to $11.9 million (draft resolutions 1 and 3) and a decrease of recovery for these activities from $20 million to $.6 million (draft resolutions 2 and 4). The Committee is of the view that the rate charged for assembly and packing activities as well as the contributions from assisted Governments may be low and so may need to be reviewed with a view to recovering the higher costs. The Committee further notes that tables 42 and 43 of the budget document need to be revised and the costs presented in a clear format, indicating the actual costs of the warehouse operations and related

expenditures. In this connection, the Committee was informed that UNICEF intends to study the costs of its supply operations. The Committee therefore recommends that the Executive Director present to the Executive Board, at its 1994 session, through ACABQ, a full analysis of the cost structure of supply services at Copenhagen and New York and identify additional charges for third parties such as activities for bilateral donors or non-governmental organizations.

27. According to paragraph 6 of the budget document, there is a net increase of 12 core posts (32 international Professional and 5 national Professional less 25 General Service) in the proposed 1994-1995 budget. The following table was provided by UNICEF at the Committee's request:

Table 4. Proposed additions (reductions) of core posts

	ASG	D-2	D-1	P-5	P-4	P-3	P-2	Total IP	NP	GS	Total
HEADQUARTERS											
Redeployments	0	0	0	0	1	0	0	1	0	(3)	(2)
Reclassifications	(1)	1	(1)	5	1	(4)	(1)	0	0	0	0
Additions/conversions	0	1	(1)	5	(1)	1	6	11	(1)	(32)	(22)
Subtotal	(1)	2	(2)	10	1	(3)	5	12	(1)	(35)	(24)
FIELD OFFICES											
Redeployments	0	0	0	0	(1)	0	0	(1)	0	3	2
Reclassifications	0	0	(1)	3	0	(2)	0	0	0	0	0
Additions/conversions	0	0	3	6	5	5	2	21	6	7	34
Subtotal	0	0	2	9	4	3	2	20	6	10	36
Total	(1)	2	0	19	5	0	7	32	5	(25)	12

28. As a result, the total number of established posts would decrease by 24 at headquarters and increase by 36 at field offices, while the number of international Professional posts continues to increase both at headquarters (12) and in the field (32). The Committee trusts that the Executive Director will continue his efforts to reduce the number of posts at headquarters.

29. With respect to organizational units at UNICEF headquarters (annex XVIII), the Committee recalls its previous statements (E/ICEF/1989/AB/L.9, para. 35; E/ICEF/1991/AB/L.10, para. 12) that there is no need for two separate divisions dealing with information and public affairs each headed by a director at the D-2 level and a deputy director at the D-1 level. The Committee continues to believe that in order to deal more effectively with public information in one organizational unit and to avoid duplication, the Division of Information and the Division of Public Affairs should be merged, resulting in a reduction of $677,500 for 1994-1995 on the basis of the 1990-1991 revised budget.

30. The Committee further noted that the planning functions of the Planning and Coordination Office, such as analysing socio-economic trends and formulating strategic plans, could be carried out effectively under the Programme Division. In view of the above, the Committee reiterates its recommendation that before the establishment of new organizational units at headquarters, the Executive Director should ascertain that the related functions could not be carried out by existing units (E/ICEF/1991/AB/L.10, para. 27).

31. With regard to field offices, the Executive Director proposes to establish one deputy regional director at the D-1 level for each of the UNICEF regional offices for Eastern and Southern Africa, East Asia and the Pacific, South Asia and Middle East and North Africa (annex II). In addition, it is proposed to establish one regional personnel officer (P-5) for both the regional offices for West and Central Africa and for Eastern and Southern Africa, one regional supply/procurement officer (P-5) for the Regional Office for East Asia and the Pacific and one regional programme officer, policy/planning (P-5), for the Regional Office for South Asia (annex II). This would require the establishment of two new D-1 posts, redeployment of an additional two D-1 posts from the field (country) offices, establishment of two new P-5 posts and conversion of two existing P-5 posts.

32. The Committee was not fully convinced of the need to continue to increase and to upgrade the staff at the UNICEF regional offices each with a regional director at the D-2 level and a deputy director at the D-1 level and additional senior and other staff at the expense of resources in country offices. In this connection, the Committee recalls its recommendation in its 1991 report (E/ICEF/1991/AB/L.10, para. 44) that:

> "UNICEF reassess the need and effectiveness of its regional offices. This assessment should aim at avoiding yet another additional administrative layer in the chain of responsibility between headquarters and country offices. Otherwise the administrative and other costs involved might adversely affect programme delivery".

In view of the foregoing, the Committee reiterates its recommendation that UNICEF reassess the need and effectiveness of its regional offices and that the Executive Director submit his specific recommendations to the Executive Board through the Advisory Committee at its 1994 session. The Committee further recommends that the establishment, upgrading or conversion of posts at UNICEF regional offices be suspended pending the submission and examination of the above report.

C. Proposed upgradings (downgradings)

33. According to the revised annex III, 18 international Professional posts are proposed for upgrading (10 headquarters and eight field) and seven for downgrading (two headquarters and five field) in the proposed 1994-1995 biennium as follows:

Table 5. Proposed upgradings (downgradings) of international Professional posts

Proposed level	Field offices	Headquarters	Total
ASG	0	0 (1)	0 (1)
D-2	0	0	0
D-1	1 (2)	0 (1)	1 (3)
P-5	2	4	6
P-4	5 (3)	5	10 (3)
P-3	0	1	1
P-2	0	0	0
All levels	8 (5)	10 (2)	18 (7)

34. The Committee notes that following discussions with the Secretary-General on the restructuring of the United Nations Secretariat, the Executive Director has withdrawn a number of initially proposed upgradings of senior posts at UNICEF, especially at headquarters, resulting in an overall net reduction of four senior posts (1 ASG, 1 D-2 and 2 D-1), as indicated in the summary of E/ICEF/1993/AB/L.1/Corr.2.

35. The Committee notes that four core and two project posts in the Supply Division at Copenhagen are proposed for upgrading, namely the posts of chief, shipping, and warehouse manager from P-4 to P-5 and accounting officer and shipping officer from P-3 to P-4, as well as one procurement officer from L-3 to L-4 and one assistant administrative officer from L-2 to L-3. While the Committee does not question the responsibilities involved (para. 527 (a) to (f)), the Committee notes that the proposed upgrading would further inflate the already top-heavy structure of the Supply Division at Copenhagen, resulting in 13 senior posts (1 D-2, 1 D-1 and 11 P-5) out of a total of 19 core posts and one L-6 post, or about 70 per cent at the senior level. The Committee, therefore, recommends that the grade structure of the Supply Division at Copenhagen be rationalized.

36. The Committee further notes that three posts in the Division of Personnel are proposed for upgrading, including the post of chief, classification and compensation, from P-4 to P-5, in the context of the proposed reorganization (paras. 388 to 414), increasing the number of senior posts in the division to eight (one D-2, two D-1, four P-5 and one L-5). In this connection, the

Committee recalls its observations in its last report (E/ICEF/1991/AB/L.10, para. 39) that the need to strengthen the Division of Personnel does not necessarily entail the upgrading of posts to the senior level and can be achieved by other means such as establishing a full computerized data bank, streamlining procedures and training staff.

37. With regard to field offices, the Committee notes that the Executive Director proposes the upgrading of the posts of UNICEF representative in Yemen from P-5 to D-1 (para. 321) and in Guinea-Bissau from P-4 to P-5 (para. 96) and the downgrading of the post of representative in Saudi Arabia from D-1 to P-5 (para. 312) without further justification. The Committee reiterates its request in its previous report that in future submissions, the need to upgrade field offices should be justified fully in the budget document (E/ICEF/1991/AB/L.10, para. 41).

38. The Committee observes that the number of proposed upgradings continues to be higher than the downgradings and that most downgradings are in the field. According to the summary on proposed upgradings/downgradings (revised annex III), the overall average grade level remains at level 4, step 5, taking into account conversions, establishments and abolitions of all posts. However, the average grade level of existing international Professional core posts is increasing and is at a higher rate at headquarters than in the field. In this connection, the Committee recalls its observation in its last report (E/ICEF/1991/L.10, para. 36):

> "The continued change in the distribution of grades at UNICEF is showing a trend towards 'grade-creep', resulting in a shift upwards in the average grade of staff and a trend to a top-heavy organization. The Committee points out that the phenomenon of grade-creep in UNICEF is accelerating and that the average grade level of UNICEF International Professional core posts in 1992-1993 will be P-4, step 5".

The Committee trusts that the Executive Director will keep under review the current average grade level of UNICEF and the number of senior posts, particularly at headquarters and regional offices.

D. Other objects of expenditure

39. Upon inquiry, the Committee was informed that the travel costs of staff in core posts charged to the administrative and programme support budget amount to $6.4 million and for staff in global funds project posts charged to global funds amount to $3.3 million in the revised 1992-1993 budget. The Committee is of the view that the total travel costs of UNICEF staff at headquarters of almost $10 million is high and that there is a potential for economies.

40. Annex IX lists the objects of expenditure of the administrative and programme support budget. The Committee reiterates its view that the UNICEF practice of charging administrative and support costs to different sources of funding makes it difficult to ascertain the full administrative costs of the Fund (E/ICEF/1991/AB/L.10, para. 4). For example, in the proposed 1994-1995 administrative and programme support budget, provision is made for audio-visual material ($6.1 million), publications ($6.3 million) and other information

($3.9 million) as well as in the proposed 1994-1995 global funds programme budget under material and publications at headquarters ($7.4 million general resources and $1.6 million supplementary funding).

41. The Committee is of the view that the total costs for programme promotion at headquarters is high, in particular publications such as the State of the World's Children report at $3 million (E/ICEF/1993/P/L.3, table 2). Furthermore, the number of publications have increased from 42 to 63, or by 50 per cent (para. 376). The Committee, taking into account the costs for publications in both the administrative budget and the global funds programme budget, recommends that UNICEF review these costs with a view to containing the number and cost of publications and promotion material. The Committee further recommends that the budget documents should indicate the total costs for these activities financed under the administrative and programme support budget and the global funds budget.

42. The Committee welcomes UNICEF efforts to modernize its operations through the installation of modern technology. The Committee, however, notes that a cost-benefit analysis should first have been presented in the budget document before implementing the migration to a new computer platform at a total cost of $11.8 million for the period 1993-1995 (annex XIV). The Committee recommends that UNICEF monitor carefully the expenditures of its computerization (paras. 42, 328 and 436) to ensure cost-effective application of the computer programme.

43. The Committee understands that the projected $11.8 million for migration to a new computer platform is not the full cost and that additional funds will be required. The Committee points out that according to standard procurement practice for large-scale acquisition of equipment and services, the total costs for full project implementation over a number of years should have been determined and agreed to with the contractor. The Committee requests the Executive Director to submit a progress report on the implementation of this activity.

44. According to annex IX, the general operating costs (categories 2 (a)(b)) will increase from $146.9 million in 1992-1993 to $171.8 million in 1994-1995, or by 17 per cent. The increase excludes the additional costs for headquarters office accommodation to be incorporated in the final budget resolution of the Executive Board at its 1993 session (para. 3). The Committee is of the view that the estimated general operating costs of UNICEF amounting to about 40 per cent of the total administrative budget be carefully monitored with a view to containing any further increase.

45. The Committee notes that the estimated costs for internal audit for the proposed 1994-1995 biennium amount to $5.5 million (table 27). The Committee is of the view that the cost estimate for internal audit is low (0.3 per cent) compared to the total estimated net expenditure of UNICEF of $1,021 million in 1994 and $1,001.6 million in 1995 (annex XXI, figure I). The internal audit operations and related internal financial control need to be strengthened, in particular in view of the increasing overhead ratio and administrative and programme support costs.

IV. GLOBAL FUNDS PROGRAMME RECOMMENDATION (E/ICEF/1993/P/L.3 and Add.1)

46. The Committee welcomes the submission of one single global programme budget document pursuant to Executive Board decisions 1991/30 and 1992/14, based on the recommendation of the Advisory Committee, as a first step towards reform in the presentation of global funds and the proper management of related programmes and expenditures. This development should eventually enhance clarity and coherence of the budgetary and programme activities of the funds. The Committee, however, notes that there is considerable room for improvement and calls for an integrated approach in the presentation of all funds. The Committee observes that the figures in the document on general resources and supplementary funding (table 1) do not correspond with the budget and income projections for global funds in the financial medium-term plan (E/ICEF/1993/3, table 3) and in the budget document (E/ICEF/1993/AB/L.1, annex V). The Committee, therefore, questions the value of draft resolutions 1 to 4 which are for approval by the Executive Board at its 1993 session. The Committee calls for a more accurate and coherent presentation of global funds.

47. In this connection, the Committee points out that it is not clear how Executive Board decision 1992/14 on the reorganization and consolidation of global funds has been implemented, especially regarding the criteria for the formulation and appraisal of activities to be supported by the Interregional Fund for Programme Preparation, Promotion and Evaluation (IFPPE), Regional funds and Programme Funds for the 1990s Goals (PF90s).

48. The Committee notes that the description of the activities of the funds, though extensive in some cases, is in general terms. IFPPE is presented in five different sections for each activity with separate tables (tables 2 to 8), programme descriptions and related budgets; this information could be consolidated into one single presentation. The Committee requests that future presentations on global funds be more specific and targeted to specific activities, including information on cash assistance and consultancy, and that the entire amount for programme input be more justified. The Committee also expects non-staff costs and miscellaneous expenditure to be justified adequately (see paras. 39 to 44 above).

49. The Committee recalls that the Executive Board, in its decision 1992/16, resolution 1, authorized the Executive Director "to administer in the most efficient and effective manner the provisions under each of the funds". In this connection, the Committee notes that the actual and proposed expenditures for each global fund at headquarters and in the field are as follows:

Table 6. Global funds at headquarters and field offices

(In millions of United States dollars)

Global fund	Revised 1992-1993 Hq.	Field	Total	Proposed 1994-1995 Hq.	Field	Total
IFPPE	25.0	0.0	25.0	21.0	0.0	21.0
Regional funds	0.0	37.3	37.3	0.0	41.4	41.4
PF90s	44.9	202.7	247.6	52.8	168.4	221.2
Emergency Programme Fund	2.7	11.3	14.0	2.1	27.9	30.0
Total	72.6	251.3	323.9	75.9	237.7	313.6

50. The Committee notes that the global funds allocation to headquarters continues to increase disproportionately from $70.1 million in the approved 1992-1993 budget, or 21.4 per cent, to $75.9 million, or 24.2 per cent, in the 1994-1995 biennium (table 1) compared to a decrease in the field from $256.8 million to $237.7 million, or 78.6 to 75.8 per cent. The general resources allocated to headquarters in the revised 1992-1993 global funds budget amount to $58.2 million, or 40.8 per cent of the total allocation.

51. The Committee recalls that global funds are intended primarily to provide additional programme resources and technical support to countries and to promote the programme goals at international, regional and country levels. The Committee further recalls the Executive Board's suggestion in its decision 1992/14 "that all activities supported by PF90s, if successful, should be incorporated into country programmes within five years; otherwise, they should be terminated".

52. The Committee recalls that the Regional funds were previously included in the global submission for IFPPE and established by the Executive Board as separate funds, effective 1992, "in recognition of the special needs of regional offices" (para. 31). These funds provide regional support for programme preparation, promotion and evaluation to assist countries in performing their functions. The Committee recommends that the role of the Regional funds be reviewed in the context of the assessment of the role of the UNICEF regional offices (see paras. 31 and 32 above) with a view to improving planning and implementation of the related regional programmes in a more cost-effective manner.

53. With regard to the Bamako Initiative (paras. 207 to 222), the Committee notes that for the proposed 1994-1995 biennium, all 12 posts of the project and

$6.3 million out of the total $29.3 million, or 22 per cent, will be allocated to headquarters (table 26). The Committee is of the view that more justification is needed for administering the Bamako Initiative entirely from headquarters, bearing in mind that projects should be carried out in the field (E/ICEF/1992/AB/L.18, para. 19).

54. The Committee points out that a total of 344 headquarters project posts are proposed for 1994-1995 (see para. 25 above), including 129 posts for global funds, or 39 per cent of the total 879 staff at headquarters (E/ICEF/1993/AB/L.1, table 45). The Committee reiterates its view that the number of project posts allocated to headquarters is high. As a general rule, there should be zero growth of project posts at headquarters. The Committee has pointed out that unless policy measures are taken urgently, UNICEF will continue to face a disproportionate increase in costs, including serious problems of accommodation at headquarters at the expense of project delivery in the field.

55. The Committee believes that the time has come for an independent management study of the operations of UNICEF to determine whether the operations of UNICEF are carried out efficiently and cost-effectively and how they could be further improved. In this connection, the Committee recalls that the Executive Board requested the UNICEF secretariat in decision 1991/31 to prepare an outline proposal for a management review, and that its consideration was deferred, on the recommendation of the Executive Director, to the 1993 regular session.

56. The Committee has taken note of the Executive Director's recommendation on the matter (E/ICEF/1993/AB/L.8). Bearing in mind the Committee's observations and recommendations over the last years, the Committee believes that an internal management review by UNICEF itself may not be fully satisfactory. The Committee strongly recommends that the management review be carried out by an independent consultancy firm with expertise in international and other organizations and that it submit its recommendations through the Advisory Committee to the Executive Board.

V. REPORT ON HEADQUARTERS OFFICE ACCOMMODATION (E/ICEF/1993/AB/L.9)

57. The Committee recalls that the Executive Board, in decision 1992/35, requested the Executive Director, inter alia, to continue to negotiate and refine the proposals already submitted by him and to evaluate any other attractive additional proposals that may be offered and to submit a recommendation for approval by the Executive Board, through the Advisory Committee, at the next regular session of the Executive Board in April 1993. The Executive Board further authorized the Executive Director, in order to meet space needs, to lease on a temporary short-term basis, up to a maximum of 15,000 additional gross rentable square feet over the next two years. The Committee further recalls that the question of UNICEF headquarters office accommodation is now before the Committee for the fourth time and has been studied extensively since March 1990.

58. In this connection, the Committee recommended in its 1991 report (E/ICEF/1991/AB/L.10, para. 64) and reiterated in its 1992 report (E/ICEF/1992/AB/L.18, para. 56) that:

"... a market study should be prepared, including a cost-benefit analysis of the real estate market in New York and surrounding areas, comparing the purchase price and rental costs of suitable buildings. The Committee notes that all possible options for UNICEF headquarters accommodation should be evaluated before a long-term policy decision is taken by the Executive Board, taking into account the substantial costs involved, the long-term investment and asset of headquarters property compared to largely increasing rental costs and the implications for the effective management and operation of UNICEF from one central office location".

59. The Committee has carefully and thoroughly reviewed the Executive Director's current report and additional information given to the Committee. The Committee inspected the three main sites in Manhattan (buildings A, B and C) and the site in New Rochelle, met with local officials of the above locations and had extensive discussions with the Executive Director and his representatives on the various proposals.

60. The Committee notes that following the 1992 regular session of the Executive Board, UNICEF, in collaboration with a real estate consulting firm engaged to assist with the study of possible long-term accommodation, continued to negotiate and refine several of the most attractive proposals, including possible options in Westchester County, Queens and Manhattan. Furthermore, UNICEF made extensive efforts to identify other possibilities in New York City, in particular the offer of the United Nations Development Corporation (UNDC) for UNICEF to retain UNICEF House under improved financial conditions, with eventual ownership rights, and to identify a second headquarters building in close proximity, which would offer UNICEF suitable long-term expansion of space and the possibility of future ownership.

61. The Committee notes from table 1 of the report that UNICEF accommodates at present 820 staff at headquarters (UNICEF House, Dag Hammarskjöld Plaza, warehouses at Park Avenue and Long Island) in space totalling 246,893 square feet, and accommodates an additional 131 staff at the Greeting Card and related operations (GCO) at 38th Street and in Secaucus, New Jersey, in space totalling 84,000 square feet, resulting in a total of 951 staff in office space totalling 330,893 square feet. According to table 2 of the report, UNICEF projects that the number of staff will continue to increase at an annual rate of about 3 per cent and in the year 2010 there would be a total of 1,550 headquarters staff in office space of 436,000 rentable square feet and an additional 133,000 square feet for warehouse/storage, or an overall total need of 569,000 rentable square feet.

62. The Committee was not fully convinced that the staff at UNICEF headquarters would continue to increase as planned, given the projected decline in income and the planned transfer of project posts to the field (see paras. 6, 53 and 54 above). The Committee, therefore, believes that a projected annual growth rate of less than 3 per cent would be more appropriate.

63. In this connection, the Committee recalls that the UNICEF space standards comparison schedule (E/ICEF/1991/AB/L.9, table 2) indicates that all international Professional staff at levels P-1 to D-1 are allocated the same office size (120 square feet) while at the United Nations all staff from P-1 to P-4 are accommodated in 96 square feet standard offices. Furthermore, all

General Service staff at UNICEF are accommodated in standard furniture work stations (76 square feet) compared to 36 to 60 square feet at the United Nations. The Committee reiterates its view that some economies could be made in the use of office space at UNICEF (E/ICEF/1991/AB/L.10, para. 62).

64. With regard to the option to remain in UNICEF House, New York City Economic Development Corporation (NYCEDC)/UNDC is prepared to offer UNICEF more favourable terms (para. 17), namely (a) a reduction of the annual base lease payment to a permanent rate of $32.50 per square foot; and (b) to obtain ownership of its space when the UNDC bonds are paid, now scheduled to be 1 July 2026; the other conditions are indicated in paragraph 17 (b) to (d). Furthermore, NYCEDC/UNDC are prepared to meet the expansion needs of UNICEF by acquiring for lease to UNICEF an existing office property in the United Nations area and to own the expansion property at the end of the lease term (para. 19).

65. The Committee notes that UNDC initially identified 37 potential alternatives in Manhattan, of which three buildings were short-listed, as indicated in the report. The various criteria taken into account included purchase situation, building size and expansion capability, size and configuration of floors, suitability for UNICEF requirements, technical capabilities for computer and telecommunications needs, distance from UNICEF House, security requirements and space availability. Following a first-hand inspection of the three sites and extensive discussions with the Executive Director and his representatives with regard to overall suitability, location and other relevant factors, the Committee concurs with the Executive Director's conclusion that building A is the most suitable of the three locations in Manhattan, based on the proximity to the United Nations and UNICEF House, possible acquisition of the entire property, potential for expansion, common facilities and security requirements.

66. As to the financing of building A, the Committee notes that option (i) represents the seller's asking price as of January 1993 and (ii) the UNDC estimate of the possible acquisition cost (para. 70). The acquisition price proposed by the owners of building A would result in an estimated lease payment by UNICEF of $37.90 per rentable square foot, exclusive of operating expenses and tenant electricity. According to paragraph 33 of the report, "while UNDC submitted a counter-offer that would have resulted in a significantly lower base lease payment, it was recently informed by the property's authorized sales representative that the owners have declined the UNDC counter-offer and are unwilling to reduce their original asking price". In view of the foregoing, the Committee was informed by representatives of UNICEF that only option A (i) can be considered as "firm assured" at this time (tables 4 to 6) and be compared with the other options. According to table 4, the total cost in nominal terms for building A (i) is estimated at $725.7 million for the period 1995-2026.

67. The Committee notes that the only other option presented in detail for UNICEF headquarters office accommodation is an offer from the City of New Rochelle in Westchester County, New York, which is described in paragraphs 38 to 49 and table 3 of the report. In this connection, the Executive Director states in his report (para. 38) that "because the New Rochelle proposal is the most attractive and cost-effective offer received for a site in the New York area and outside of Manhattan, a summary of the details of the proposal is included in the present report".

68. The City of New Rochelle has submitted a comprehensive development plan for the creation of a United Nations community district which features UNICEF headquarters as the cornerstone. In addition, the City has earmarked land in close proximity of the UNICEF site for the construction of approximately 1.4 million square feet of additional new office space for other United Nations agencies. In December 1992, New Rochelle submitted a proposal to the United Nations Development Programme (UNDP), at its request, with similar terms and conditions as offered to UNICEF. As part of this United Nations community district, land would be available for the construction of a specialized conference centre for use and centralized services by United Nations agencies for international conferences, thus reducing costs.

69. The revised proposal provides for the construction of an office building consisting of 444,000 square feet, which should meet UNICEF office space requirements until the year 2010 or beyond and a separate warehouse/storage building consisting of 135,000 square feet on a 1.3 acre site within one mile of the office building. The office building would include telecommunications facilities and be built to the specific requirements of UNICEF. The construction would be financed by the utilization of tax-exempt bonds. The Committee was informed that when the bonds are paid off, UNICEF would own the buildings "unconditionally". The financial analysis of the revised New Rochelle proposal is summarized in table 3 of the report. The Committee notes that according to table 3 two different financing proposals have been made for New Rochelle with three variations for bond payments beginning 1997 and another three for payments beginning in 2003.

70. The first offer provides for no lease payments for the first three years during construction and installation and relatively low bond payments beginning in 1997; assuming subleasing UNICEF House and GCO at not more than 50 per cent of the present lease cost (see para. 73 below), the total nominal costs are estimated at $494 million for the period 1995 to 2026 (table 4 and figure under para. 74). The Committee was informed that the City of New Rochelle anticipates that it would be able to reduce the proposed tax-exempt rate in municipal bonds for an issue with a 30-year maturity from 6.75 to 6 per cent which would reduce the costs for the period 1995 to 2026 by about $30 million to $464 million.

71. According to the figure under paragraph 74, the savings or cost of the main alternatives compared to the status quo of lease extension of current UNICEF premises ($685.1 million) would be an additional cost of $40.6 million for building A (i) in Manhattan ($725.7 million) compared to savings of $191.1 million for the relocation to New Rochelle ($494 million).

72. In this connection, the Committee notes that the offer from the City of New York and UNDC with respect to possible future UNICEF ownership of UNICEF House and the second building property is conditional. According to the report (paras. 15, 18 and 19 (f)), on the expiration of the UNDC leasehold interest in UNICEF House, and if requested by UNICEF (or the United Nations), the City of New York and UNDC would transfer to UNICEF (or the United Nations) all ownership interest in the building, "provided that the building is then and remains fully occupied by UNICEF or the United Nations and that UNICEF continues to maintain its world-wide headquarters in New York City". The proposed transfer of ownership interest is subject to a reversion of ownership to the City in the event that the building ceases to be used for UNICEF headquarters

(E/ICEF/1992/AB/L.9, para. 39 (g)). The Committee was informed that under the conditions stipulated above, neither UNICEF House nor the expansion building would be marketable UNICEF/United Nations assets.

73. The Committee has been informed that in the case of the New Rochelle proposal, when the bonds are paid off, UNICEF would own the building itself unconditionally. The building would become a marketable asset for UNICEF, which UNICEF could sell should there be a need to do so. In such an event, ownership of the land itself would revert to the City of New Rochelle, which would in turn be leased to the new owner.

74. The Committee concludes that the proposed relocation of UNICEF to New Rochelle is clearly the most cost-effective offer, resulting in savings of $261.7 million compared to the best and assured offer for Manhattan in building A. Furthermore, the Committee is of the view that the assumed subleasing of UNICEF House and GCO at 50 per cent of the present lease cost is low and was informed that, assuming a sublease of 85 per cent of the vacant lease obligation, this would further reduce the cost of the New Rochelle proposal by another $27 million to $437 million, or increase the savings to $288.7 million compared to the option of building A (i). The Committee is also of the view that there would be additional costs for repair, renovation and maintenance of building A, which was constructed in 1961, for the period 1995 to 2026.

75. According to the Executive Director, the strategic location of Manhattan, however, would outweigh the financial and operational advantages of a relocation to New Rochelle. The Executive Director stated that the close proximity to the United Nations, UNDP/United Nations Population Fund, other agencies, permanent missions and the media enables him and his senior staff to maintain direct and personal contacts with the Secretary-General and other United Nations senior staff, permanent missions and the media. The Executive Director further stated that UNICEF House had become a well-known feature in the United Nations area for cooperation, coordination, public relations and fund-raising. The Executive Director submitted that, in his judgement, if UNICEF were to relocate its headquarters outside Manhattan, this could reduce the projected income over the period 1995-2026 by at least one half per cent, or over $315 million. However, the Advisory Committee points out that this projection is not based on a technical analysis of quantifiable data.

76. The Executive Board may wish to consider whether the entire UNICEF headquarters and all staff need to remain at its current premises in order to stay in regular contact with the United Nations and related agencies, permanent missions and the media. In this connection, it should be noted that the number of senior UNICEF staff in the areas of policy formulation, public affairs and fund-raising who are in regular contact with the United Nations, permanent missions and the media is relatively small and that those contacts are usually done by modern telecommunications rather than on a personal basis.

77. From the paragraphs above, it is clear that both the Manhattan and New Rochelle options have attractive features as well as drawbacks - while the New Rochelle option is the most cost-effective and a UNICEF/United Nations marketable asset, it is also important to consider the intangible advantages of a continued UNICEF presence in Manhattan.

78. Under the circumstances, the Executive Board may wish to consider requesting the Executive Director to formulate a third option, a proposal that would incorporate the best features of both options, i.e. taking advantage of New Rochelle's offer for the greater proportion of UNICEF staff who could be relocated out of Manhattan with significant cost-savings to UNICEF and allowing for accommodation at UNICEF House or some other location in Manhattan only for those UNICEF officials most directly concerned with those activities for which continuing close proximity to United Nations headquarters is essential, together with appropriate short-term accommodation for those needing to visit Manhattan or to participate in activities or meetings at United Nations Headquarters.

79. In formulating this proposal the costs of maintaining two locations with consequential communication requirements should be taken into account. The proposal could be completed quickly as virtually all of the required data is already available and presented to the UNICEF Executive Board for a final determination.